Research

Federal Funding, the Budget Control Act, and the State of Federal Appropriations

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The House and Senate budget blueprints diverge on both the level and mixture of federal spending. These disagreements raise the prospect of a failure to continue government operations at the end of the fiscal year, and a reliance on automatic cuts ("sequestration") to come into compliance with current law.

On March 26th, 2013, the president signed into law the Consolidated and Further Continuing Appropriations Act of 2013, which funds federal agencies through September 30th of this year.[1] Absent new appropriations legislation, funding for those agencies will expire on October 1st. Funding levels are frequently points of contention between parties and such disagreements often flirt with, or in some cases precipitate, funding gaps that lead to shutdowns of major federal operations. If Congress is to reach agreement, House Republicans and Senate Democrats would need to bridge a $91 billion difference in funding levels for FY 2014.

The House and Senate disagree on both top-line spending levels, as well as how funds are apportioned between defense and non-defense categories in spending (see table 1). Those apportionments are critical in FY2014 as each category of spending is subject to statutory limitation, rather than just simply the top-line spending level. At present, neither body conforms entirely to current law.

Table 1: Current Law (includes sequestration) vs. House and Senate Base Discretionary Spending Levels[2]

FY2014 Spending Levels

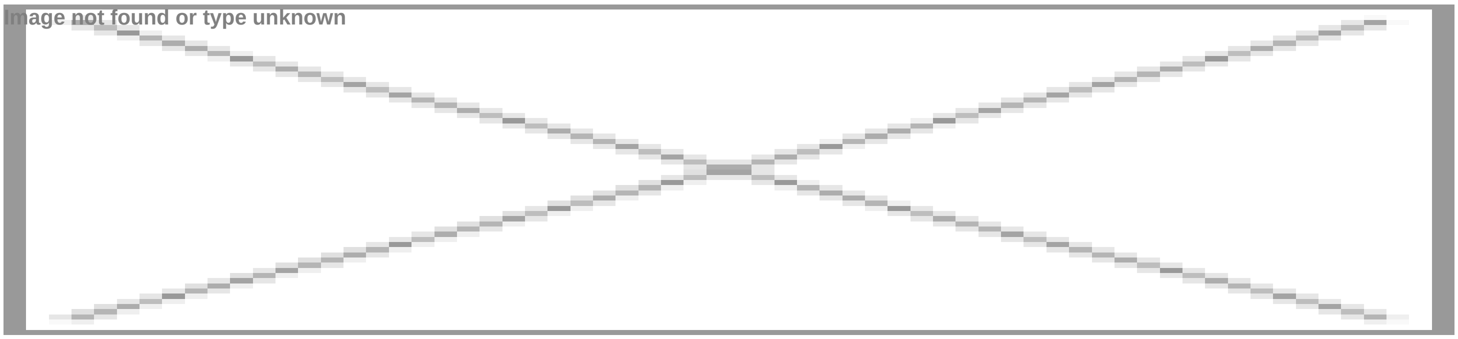
Budget Resolution Levels ($M)	Current Law	House	Senate
Total	967,473	967,473	1,058,000
Defense	498,082	552,000	552,000
Non-Defense	469,392	415,473	506,000

The spending limits set forth in each chamber's respective budget resolutions serve as top-line funding restrictions in appropriations bills. Appropriations bills may ultimately provide less funding than these limits, though only to a limited degree does that appear to be the case.[3]

These top-line figures illustrate the key disagreement in House and Senate funding priorities, principally as it pertains to spending reductions that have taken effect in light of the failure of the Joint Select Committee on Deficit Reduction to produce budgetary savings. The result has been additional discretionary and mandatory spending reductions that in FY2013 took the form of cancellation of existing funding, or budget authority, known as sequestration. For FY2014-FY2021 discretionary spending, these additional spending reductions do not take effect in the same way. Rather, the spending caps put in place by the Budget Control Act are lowered below their original levels. Despite this technical distinction, these additional spending reductions are still typically referred to as sequestration. Current law assumes these spending reductions remain in place.

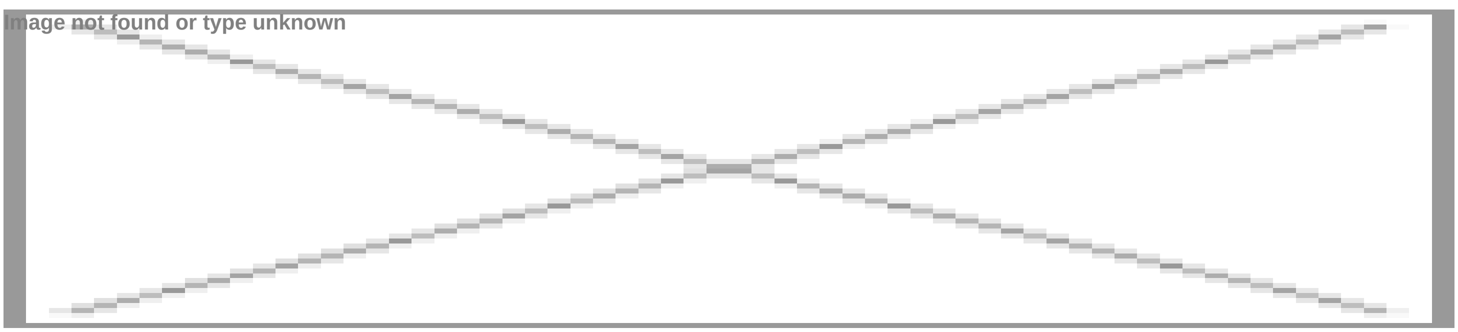
The House and Senate funding levels illustrate how each chamber is attempting to eliminate unfavored elements of sequestration. The House is seeking to restore the approximately $54 billion in reductions to defense spending while maintaining the overall limitations under current law. Accordingly, non-defense spending is reduced on a dollar-for-dollar basis an additional $54 billion (see Table 2).

Table 2: Comparison of House Base Discretionary Spending Levels



The Senate is seeking to do away with the sequester entirely, raising overall base discretionary spending nearly $91 billion above the levels currently set forth in law (see Table 3).

Table 3: Comparison of Senate Base Discretionary Spending Levels



As noted above, neither body is strictly hewing to the spending caps prescribed under current law (inclusive of sequestration). An automatic enforcement mechanism is in statute to prevent Congress from spending above these caps. If Congress violates statutory spending levels, a sequester is triggered that eliminates the overage. This mechanism takes effect 15 days after the prior session of Congress adjourns. So, if the House spending levels were enacted, defense spending would face a $54 billion sequester in January for violating the defense spending cap in place in FY2014. Senate spending levels would face a nearly $91 billion sequester in January for essentially ignoring the current limits entirely.

The House and the Senate have clear and divergent approaches to addressing discretionary spending: the House is seeking to restore defense funding cuts through sequestration while retaining the overall dollar amount of spending cuts, while the Senate is seeking to restore all funding lost to sequestration. Both scenarios would require amending the Budget Control Act to prevent the January sequester mechanism from taking effect. This is a change in law that extends beyond normal disputes confined to end-of-year appropriations debates, and into broader policy, the type of debate that may well figure more prominently in the effort to raise the federal debt limit set to expire in mid-October. It is possible to envision a scenario where FY2014 funding levels could well be enacted above current-law limits (this simply assumes the House and Senate meet somewhere in the middle, which is by no means a forgone conclusion), with Congress content to defer spending cuts to what would then be a January sequestration. Regardless, absent some form of compromise, the federal government will again confront a shutdown and the attendant disruption that likely brings.

[1] Public Law No: 113-6